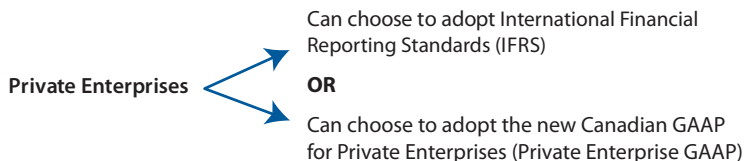


# GAAP, IFRS and Private Enterprises

## What you need to know

In 2011, International Financial Reporting Standards will be required for Canadian publicly accountable enterprises. But did you know that as a Private Company, this could affect you too? And, by the end of 2009, you will need to make a decision about which of two accounting standards to adopt on a go-forward basis?



## IFRS

IFRS represents the accounting language of international business. In response to today's global economy, it offers a single set of high quality, consistent and comparable reporting standards that will prove more efficient and cost effective by eliminating the need for reconciliations of information reported under different national standards.

## Private Enterprise GAAP

The new Handbook for private enterprises is similar to the standards that exist today but are more clear and simple to apply. For example, some disclosure requirements have been removed, there is no longer a need for the differential reporting options that were introduced in 2003, and the emphasis to revert back to historical cost measures has been eliminated.

## What's involved in adopting each one?

**IFRS** – Most company management teams have underestimated the effort required to adopt the IFRS standards. Among the items to consider are: full assessment to understand which specific standards affect your business; planning with senior management to understand the effect on the organization as a whole; staff training so they can comply; carrying two sets of books for the 2010 fiscal year for comparative purposes; and resource allocation, including personnel and potentially IT.

**Private Enterprise GAAP** – Adoption of these new standards is similar to that of IFRS but with much less of an effort. For example, businesses will still need to understand how the changes (mostly disclosure) affect them, but preparation of the opening balance sheet is not likely required, nor is the extent of planning, staff training and resource allocation prior to adoption.

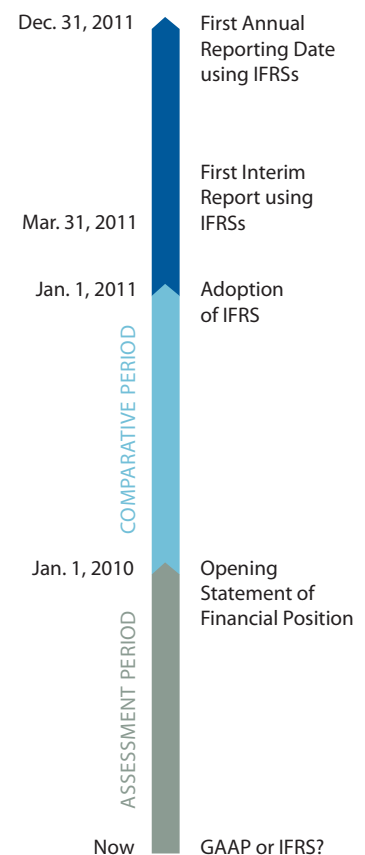
On first glance of the two alternatives, you might be thinking that adopting the Private Enterprise GAAP is the most attractive as it will generally involve less disruption and changes to your accounting practices.

## Which is the best choice for your business?

## Conversion to IFRS: Critical path

An entity with a calendar year-end should be prepared for the adoption of IFRS by the transition date of January 1, 2010 (two years earlier than the first annual reporting date to account for the preparation of comparatives). There are many recognition, measurement and disclosure differences between IFRS and Private Enterprise GAAP, so the most efficient way to build the 2010 comparative statements is to maintain a set of Private Enterprise GAAP and a set of IFRS statements in 2010.

## Timeline based on a calendar year-end



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## GAAP or IFRS?

**How do you know which one is right for your business? What variables and considerations should be reviewed? And, what will it take to convert to either one?**

**Let us help you sort through the clutter by weighing your business intentions against some of the benefits of the two options.**

Your Business Intentions	Consider IFRS?	Consider Canadian GAAP?
<b>Market share/growth orientation</b>		
Our significant competitors, suppliers and customers are located in jurisdictions that have already adopted IFRS.	Yes	No
Our parent company has adopted IFRS and will either require a full conversion to IFRS or a reconciliation to same.	Yes	No
Our significant competitors, customers and suppliers are domestic private entities.	No	Yes
Our growth or expansion plans involve issuing equity through an Initial Public Offering.	Yes	No
We have no plans to access public equity or debt markets.	No	Yes
We are planning for expansion into international markets.	Yes	No
<b>Financing</b>		
We compete against public companies for access to credit.	Yes	No
We have minimal or no external equity investors.	No	Yes
<b>Infrastructure and accounting practices</b>		
We are sophisticated users of financial statements and we have complex accounting needs.	Yes	No
Our reporting needs are relatively simple with minimal accounting complexities.	No	Yes
<b>Exit strategy</b>		
Our exit strategy includes a possible sale to a private equity investor or public company.	Yes	No
We have no immediate exit plans and/or our goal is to maintain our business within the family or other private entity.	No	Yes

The information contained herein is based on our understanding of these standards at the time of publishing this document. It is recommended that you consult with your accounting professional if you wish to receive specific advice about your business.

## We can help

Whether you're at the pre-decision stage or post, we can help you simplify your go-forward strategy so you can stay focussed on the reason you're in business in the first place.

### Decision stage

At no-cost to you, let us help you make the right choice for your business. We'll start with an assessment of your business needs now and what you'll need in the future, and weigh the pros and cons of each accounting standard. When we're finished, you'll have confidence in moving forward in either direction.

### When you choose the IFRS route

We'll be with you every step of the way.

**Conversion strategy:** We'll help you develop a conversion plan tailored to your company's existing processes and systems.

**Strategic Implementation:** And when it's implementation time, we will be as hands-on or off as you want us to be. We can help you communicate the conversion strategy to your team; be involved in the training and change management processes with your staff; oversee the conversion plan, or dive right in and execute it with you.

## Call us for a complimentary assessment of your options.

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*We're here to help.*